## Message Text

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INFO OCT-01 ISO-00 HA-05 EB-08 SS-15 IO-14 AID-05 STR-07 COME-00 FRB-03 TRSE-00 OMB-01 XMB-02 PA-01 ICA-11 H-01 NSC-05 CIAE-00 INR-10 NSAE-00 OIC-02 AGRE-00 /106 R

DRAFTED BY ARA/ECA:CANORRED/TCBROWN:DEH APPROVED BY ARA:JBUSHNELL ARA/ECA:CWRUSER HA:MBOVA EB/ODF:RJONES

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P 281918Z SEP 78 FM SECSTATE WASHDC TO AMEMBASSY ASUNCION PRIORITY AMEMBASSY SANTIAGO

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SANTIAGO FOR AMBASSADOR WHITE

E.O. 11652: GDS

TAGS: IDB, EFIN, EAID, SHUM, PA

SUBJECT: U.S. GOVERNMENT VIEWS ON IDB LOAN FOR AGRICULTURAL EDUCATION IN PARAGUAY

REF: A) ASUNCION 3950, B) ASUNCION 4395

1. FOLLOWING IS SUMMARY VIEWS ON PARAGUAYAN APPLICATION FOR IDB \$10.5 MILLION LOAN FOR AGRICULTURAL EDUCATION, EXPRESSED IN INTER-BUREAU AND INTER-AGENCY DISCUSSIONS CONNECTED WITH REVIEW OF LOAN APPLICATION BY THE WORKING LEVEL COMMITTEE OF THE INTERAGENCY GROUP ON HUMAN RIGHTS AND FOREIGN ASSISTANCE. DEPARTMENT AND CONFIDENTIAL

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OTHER AGENCIES GAVE CAREFUL CONSIDERATION TO EMBASSY'S VIEW REF A THAT PARAGUAY IS NOT BEING GIVEN CLEAR SIGNALS OF U.S. VIEWS IN POSITIONS ON LOANS.

2. THE INTERAGENCY WORKING LEVEL COMMITTEE COULD NOT REACH A FULL CONSENSUS THAT AGRICULTURAL EDUCATION PROJECT SHOULD BE CONSIDERED TO CONTRIBUTE TO BASIC

HUMAN NEEDS. THE VIEW WAS EXPRESSED THAT PREVIOUS FAIL-URES OF PARAGUAYAN GOVERNMENT TO MAKE ADEQUATE BUDGET COMMITMENT IN THIS SECTOR AS REPORTED REF B, BRINGS INTO QUESTION WHETHER THE AGRICULTURAL EDUCATION LOAN WOULD INDEED REACH LOWER-INCOME GROUPS. DISCUSSIONS HERE BROUGHT FORTH VIEWS THAT PARAGUAY HAS ALREADY-EXISTING

AGRICULTURAL EDUCATIONAL FACILITIES THAT ARE NOT BEING FULLY UTILIZED, ON WHICH POINT WE WOULD APPRECIATE EMBASSY'S COMMENT FOR USE OF THE INTERAGENCY GROUP BY COB OCT. 4. IN ANY EVENT, WE BELIEVE THAT THESE AND OTHER TECHNICAL QUESTIONS SHOULD PRECLUDE IDB BOARD CONSIDERATION OF THE LOAN BEFORE NOVEMBER OF DECEMBER.

- 3. ONLY ONE OTHER PARAGUAYAN LOAN APPLICATION, \$1.2 MILLION FOR PRE-INVESTMENT, IS EXPECTED TO COME UP BEFORE THE END OF THE YEAR IN IDB, AND THE INTERAGENCY WORKING LEVEL COMMITTEE HAS RECOMMENDED A "NO" VOTE TO THE FULL GROUP, SINCE IT DOES NOT APPEAR TO MEET BASIC HUMAN NEEDS CRITERIA.
- 4. DEPARTMENT SHARES EMBASSY'S CONCERN THAT GOP MAY HAVE MISREAD U.S. VOTE ON IDB RURAL HEALTH LOAN AS SOFTENING OF POLICY. THAT WAS NOT THE CASE. MOST AGENCIES ARE PREPARED TO CONSIDER FSO LOANS FOR PROJECTS DIRECTED AT BASIC HUMAN NEEDS, ASSUMING PARAGUAY WILL MOVE IN CONFIDENTIAL

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THE DIRECTION OF COMMITMENT TO DEVELOPMENT WITH EQUITY, AND EXPECTING THAT SUCH APPLICATIONS WILLPROBABLY COME WITH SOME SPACING BETWEEN THEM. CHRISTOPHER

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